



Annual Report
FIRST NATIONAL STORES INC.
year ending

BOARDS
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March 28th 1953

FIRST NATIONAL STORES INC.

Officers

ADRIAN F. O'KEEFFE, <i>President</i>	RALPH F. BURKARD, <i>Treasurer</i>
BYRON M. FLEMMING	<i>Vice-President</i>
JOHN L. MACNEIL	<i>Vice-President</i>
EDMUND J. MURPHY	<i>Vice-President</i>
JOHN E. ELWELL	<i>Clerk</i>



Executive Committee

RALPH F. BURKARD
JOHN L. MACNEIL
ADRIAN F. O'KEEFFE



Directors

RALPH F. BURKARD	DANIEL J. LYNE	JAMES J. O'HARE
BYRON M. FLEMMING	JOHN L. MACNEIL	ADRIAN F. O'KEEFFE
SAMUEL JOSELOFF		BERNARD M. O'KEEFFE

Somerville, Massachusetts, June 4, 1953

TO THE STOCKHOLDERS OF
FIRST NATIONAL STORES INC.:

This report covers the operations of your Company for the fiscal year ending March 28, 1953. Sales reached a new high of \$424,521,672 and were \$17,748,519 or 4.4% higher than the \$406,773,153 reported for the prior year. Food prices at retail averaged approximately the same as for the previous year, indicating a tonnage gain approximating our dollar sales gain of 4.4%.

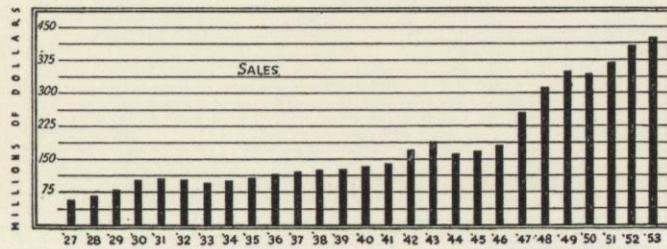
Earnings per share were \$4.11, an increase of 71¢ over the \$3.40 per share earned in the prior year. Of this increase, 38¢ per share was non-recurring and was derived from federal tax savings in connection with our liability for vacation costs arising within our fiscal year.

A condensed comparative summary of our operations follows:

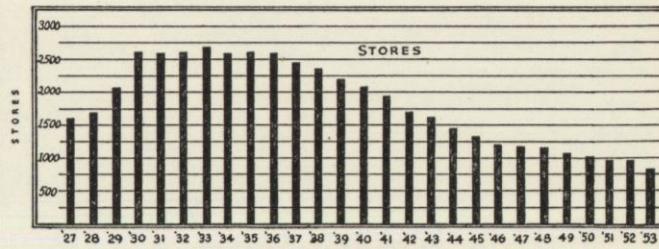
	<i>For the Fiscal Year Ending</i>	
	<i>March 28, 1953</i>	<i>March 29, 1952</i>
Retail Stores Sales	\$424,521,672	\$406,773,153
Net earnings after taxes, depreciation and other charges	\$ 6,742,051	\$ 5,571,415
Per share of common stock —		
After taxes and before lifo and vacation liability tax adjustment	\$3.72	\$3.33
Lifo inventory adjustment	+.01	+.07
Vacation liability tax adjustment	+.38	...
After taxes and all charges and credits	<u>\$4.11</u>	<u>\$3.40</u>

	<i>As of</i>	
	<i>March 28, 1953</i>	<i>March 29, 1952</i>
Net working capital (current assets less current liabilities)	\$ 12,390,464	\$ 10,372,639
Fixed or property assets (less depreciation)	31,877,967	31,846,411
Stockholders' equity (net worth)	48,543,374	46,340,758
Earnings used in the business (appropriated and un- appropriated)	41,807,095	39,604,479

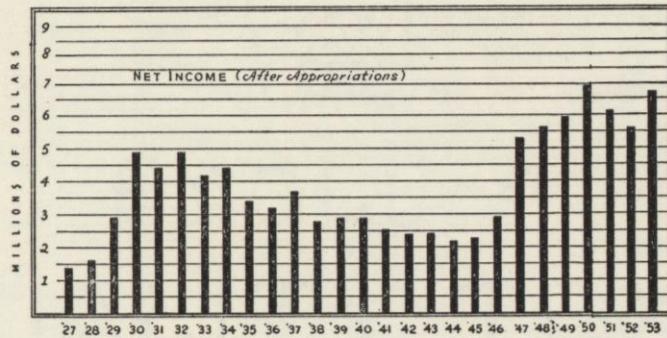
On the following page graphic charts show the results of our operations for the past twenty-seven years. The per share common earnings chart gives effect for all years to the 2 for 1 stock split in 1951.



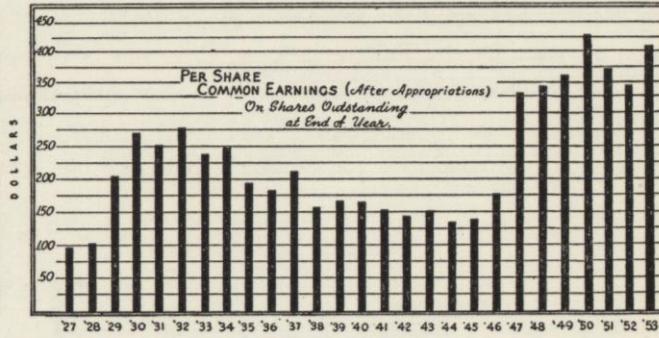
Retail Store Sales—Fiscal Years



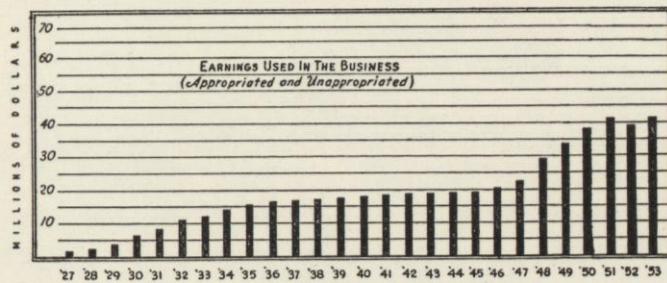
Stores—Fiscal Years



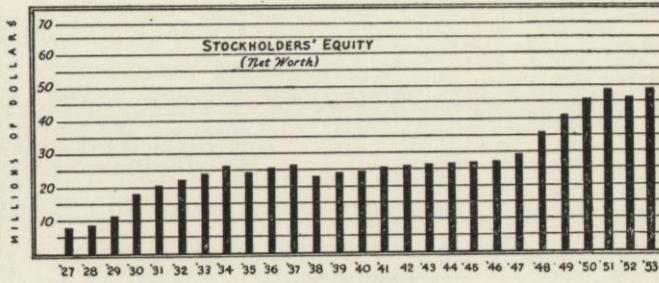
Net Income—Fiscal Years



Per Share Common—Fiscal Years



Earnings Used in The Business—Fiscal Years



Stockholders' Equity—Fiscal Years

DIVIDENDS PAID

Four quarterly dividends of 50¢ per share totalling \$2.00 per share for the fiscal year were paid on the common stock outstanding.

STORES

	March 28, 1953	March 29, 1952
Number of stores in operation	847	922

On March 29, 1953, we were operating 75 fewer stores than on March 29, 1952. Of 482 grocery stores, 264 are of the Self-Service type and of 365 markets, 327 are Self-Service Super Markets.

TAXES

Our total direct tax bill for the fiscal year ending March 28, 1953 amounted to \$11,241,731. This amounts to 63% of our earnings before taxes for the year and equals \$6.87 for each share of our Common Stock.

A summary of our direct taxes follows:

Fiscal Year	Total Direct Taxes	% of Earnings (before taxes)	Per Share Of Common	Per Store Operated
1953	\$11,241,731	63%	\$6.87	\$13,272
1952	10,672,376	66%	6.52	11,575
1951	8,632,385	58%	5.27	8,818
1950	7,934,726	53%	4.85	7,681
1945	4,776,961	67%	2.91	3,564
1940	1,656,274	37%	1.01	753
1935	1,111,096	24%	.68	420
1930	796,693	14%	.49	324

COMMENTS

Working capital improved during the year by \$2,017,825 and on March 28, 1953 was \$12,390,464. Bank loans were again reduced and were \$2,000,000 as compared with \$3,000,000 at the close of the prior year. Cash increased from \$12,114,572 to \$14,221,621.

During the year the Office of Price Stabilization gradually removed various foods from price control and on March 12, 1953, all remaining food items were released from control. Because ample food supplies have been available throughout the present Korean conflict, these controls have been unneeded, unrealistic and costly in administration and effect. Their removal is beneficial to food retailers and consumers. That competition and the consumer's freedom of choice are the only effective price controls when food is in abundance, is clearly demonstrated by the decline in food prices since the removal of controls. The latest index of the Massachusetts Commission on the Necessaries of Life shows that during April, 1953, in a free competitive market, retail food prices were 2.6% below March of 1953 when controls were removed and 10.6% below the high in July, 1952 when full controls were in effect.

This decline in food prices emphasizes the necessity of maintaining and increasing sales and we plan to continue at a moderately increased rate our store development and modernization program.

During the past year we opened 38 new or remodeled and enlarged stores. Of this number, 27 were modernizations and enlargements of existing stores. The process of replacing inadequate outlets with larger, better-equipped units requires substantial investment of capital but is competitively sound and necessary.

The cost of equipping stores continues to increase. The growth of self-service meats and the expanding variety of frozen foods make necessary greater outlays for refrigerated equipment. In addition, mechanization and new departments in the modern super market require larger fixture investment.

Recent developments in retailing include the suburban shopping centers in which super markets are an essential feature. Combining a variety of stores with accessibility and large parking facilities, these modern centers attract patronage from wide areas. We have already established stores in such centers, and intend to open others in some of the more promising developments now in the planning or construction stage in our area.

For many years it has been the policy and practice of your Company to cooperate with farmers in merchandising temporary food surpluses. During recent months agricultural leaders have commended our efforts in applying our merchandising experience and techniques to increased sales of beef, citrus products, poultry, dairy products and other foods. Such cooperation benefits both farmers and consumers and is particularly rewarding both from the viewpoint of economics and of public relations.

Our employees now number over 15,000 men and women and it is gratifying to your management to acknowledge their continued cooperation and high level of performance.

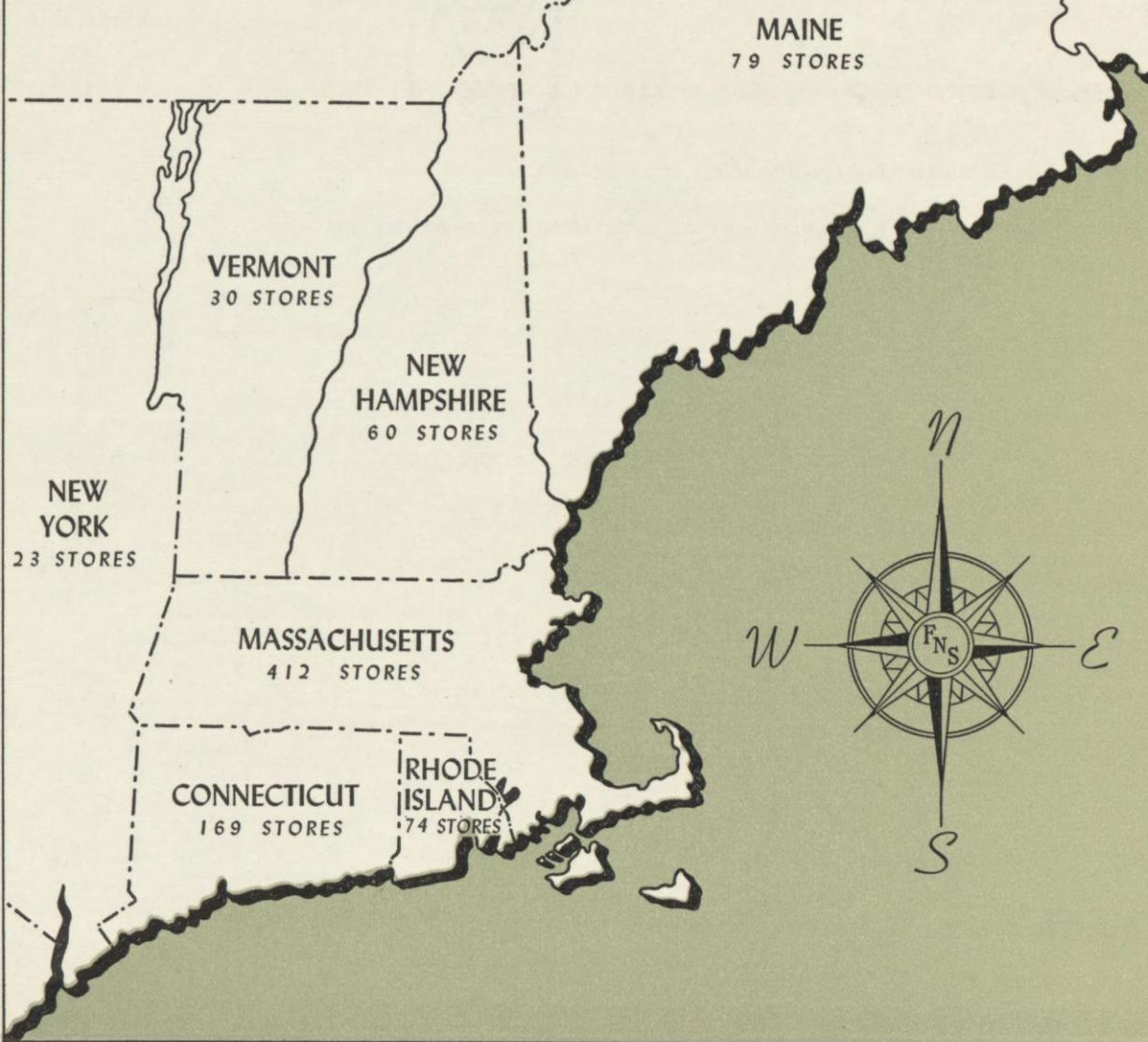
With sorrow we here record the death of Mr. James C. Duane on February 28, 1953. Mr. Duane was a Vice-President and Director of our Company for twenty-eight of the fifty-five years he devoted to the retail food business.

ANNUAL MEETING—PROXIES

A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your company considerable time and expense.

ADRIAN F. O'KEEFFE,
President

Geographical Distribution of
847
FIRST NATIONAL STORES



FIRST NATIONAL STORES INC.

BALANCE SHEET—MARCH 28, 1953

ASSETS

CURRENT ASSETS:

Cash	\$14,221,621
Accounts receivable, less allowance for bad debts	715,733
Inventories, at cost (on last-in, first-out basis) which is below market (Note 1)	<u>23,549,779</u>
Total current assets	\$38,487,133
CLAIMS FOR REFUNDS OF FEDERAL TAXES ON INCOME—NET (Note 1)	2,950,000

INVESTMENTS AND ADVANCES, ETC.:

Wholly-owned subsidiary companies—at cost (represented by underlying net assets of \$945,510)	\$ 250,833
Miscellaneous	<u>29,276</u> 280,109

DEFERRED CHARGES:

Prepaid insurance, deferred local taxes, supplies, etc.	2,158,913
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FIXED ASSETS (at cost, less retirements, etc.):

Land	\$ 3,627,842
Buildings owned	19,887,494
Store fixtures, leased property improvements, machinery and equipment	25,372,301
Automotive equipment	<u>1,474,172</u>
	\$50,361,809
Less—Accumulated depreciation	<u>18,483,842</u> 31,877,967

GOODWILL	<u>1</u>
	<u>\$75,754,123</u>

FIRST NATIONAL STORES INC.

BALANCE SHEET—MARCH 28, 1953

LIABILITIES

CURRENT LIABILITIES:

Notes payable to banks	\$ 2,000,000
Accounts payable, etc.	10,780,045
Owing to subsidiary companies (net)	202,129
Accrued local and state taxes and other expenses	4,641,179
Federal taxes on income	8,473,316
Total current liabilities	<u>\$26,096,669</u>

RESERVES:

For past-service premiums under retirement annuity plan	\$ 1,017,855
Miscellaneous operating reserves	<u>96,225</u> 1,114,080

STOCKHOLDERS' EQUITY:

Common stock:

Authorized—2,000,000 shares without par value	
Issued—1,655,268 shares	\$ 6,977,422

Earnings used in the business:

Appropriated for contingencies, etc. (Note 2)	\$ 744,258
Unappropriated, per accompanying statement	<u>41,062,837</u> 41,807,095
Together	<u>\$48,784,517</u>
Deduct—Common stock held in treasury—18,114 shares, at reduced amount	
carried on books	<u>241,143</u> 48,543,374
	<u><u>\$75,754,123</u></u>

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

In our opinion, the accompanying balance sheet and the related statements of earnings and unappropriated earnings used in the business fairly present the financial position of First National Stores Inc. at March 28, 1953, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such financial statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Boston, Massachusetts

May 26, 1953

PRICE WATERHOUSE & CO.

FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDING MARCH 28, 1953

Sales and revenues:

Retail store sales	\$424,521,672
Interest and dividends received:	
From subsidiaries (Note 2)	45,000
From others	<u>1,126</u> \$424,567,798

Costs and expenses:

Cost of sales, expenses, etc. (exclusive of depreciation)	\$405,532,150
Provision for depreciation of fixed assets (including accelerated depreciation of \$818,059)	4,333,795
Interest expense	98,689
Net loss on disposition of fixed assets	31,113
Provision for federal taxes on income (including \$350,000 excess profits tax)	<u>7,830,000</u> 417,825,747
Net earnings for the year	<u><u>\$ 6,742,051</u></u>

STATEMENT OF UNAPPROPRIATED EARNINGS USED IN THE BUSINESS

FOR THE FISCAL YEAR ENDING MARCH 28, 1953

Balance, March 29, 1952	\$ 38,900,221
Add—Net earnings for the fiscal year ending March 28, 1953—per statement above	6,742,051
	<u>\$45,642,272</u>
Deduct—Adjustment, as at March 29, 1952, resulting from recalculation of carrying value of inventories, under last-in, first-out basis of valuation determined by "dollar value" method of computation (Note 1)	1,305,159
	<u>\$ 44,337,113</u>
Deduct—Cash dividends paid—\$2.00 per share	3,274,276
Balance, March 28, 1953	<u><u>\$ 41,062,837</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: During the year ending March 28, 1953 the company revised retroactively the computation of the carrying value of its inventories (determined under the last-in, first-out method of valuation) by further refinement of the "dollar value" method application. As a result of this revision, an amount of \$1,305,159 covering a further reduction in the carrying value of the inventories as at March 29, 1952, the commencement of the current fiscal year, was charged to the balance of unappropriated earnings.

Because of the uncertainties involved, no upward adjustment has been made in the amount of the claims of \$2,950,000 previously set up for refunds of prior years' federal income taxes. It is estimated that the refunds of prior years' federal taxes may amount to approximately \$6,000,000, including \$1,900,000 in respect of the excess cost of replacement of inventories involuntarily liquidated.

The use of the last-in, first-out method and the application of the involuntary liquidation and replacement provisions of the tax law, for each fiscal year since 1941, are subject to review and acceptance by the Bureau of Internal Revenue.

NOTE 2: The net earnings of the subsidiary companies (all wholly owned and not consolidated) aggregated \$83,775. The reserve of \$40,000 previously applied against the investment in these companies has been transferred to the earnings appropriated for contingencies, etc.

NOTE 3: At March 28, 1953 the company was obligated under 173 leases expiring after March 28, 1956. The aggregate of the minimum annual rentals under these leases is \$1,328,637 and the aggregate amount charged against operations for the fiscal year ending March 28, 1953 under all leases was \$2,937,920.

